

STATE OF CALIFORNIA
CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY



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**CALIFORNIA POWER AUTHORITY LAUNCHES
“DEMAND RESERVES PARTNERSHIP”**

*Allows Businesses and Local Governments To Provide State with
Clean Energy Reserves This Summer*

SACRAMENTO - The California Power Authority (CPA) has signed an agreement with the Department of Water Resources (DWR) to provide up to 1000 MW of clean energy reserves through a Demand Reserves Partnership program. It is the first program of its kind in the U.S. to accept demand reduction as a substitute for power plant operation.

The Demand Reserves Partnership program builds on last year's success of the state's award-winning Flex Your Power campaign to reduce energy consumption and avoid blackouts. "Last year California's businesses and government at all levels responded to energy shortages by conserving energy in record amounts," said Governor Gray Davis. "The state's new Demand Reserves Partnership program sustains and expands upon their successful energy reduction track record to meet the State's energy needs for the summer. This will be good for businesses and California."

The 1000 MW scale of this program compares to several large central station power plants. Participating businesses, governments, and water districts will agree to reduce the amount of electricity they use to provide reserve capacity when called upon by DWR. The reserve capacity delivered by the Demand Reserves Partnership program will substitute for purchases of power DWR would otherwise make from fossil-fueled power plants. DWR will use this new program as an operating resource, triggered by economic and market conditions rather than just by system emergencies.

On a daily basis electrical system operators must maintain extra supply as insurance in case of unexpected demand increases. The Demand Reserves Partnership allows businesses, cities, counties and water districts to voluntarily conserve electricity in exchange for a monthly reservation fee. This demand reduction (or "negawatts") offsets the need for more megawatts of electricity to be built or produced from existing power plants, and it does so at a lower price and with no pollution.

"We are building a totally clean negawatt peaker one business at a time. If additional electricity is needed, participants reduce their demand in place of generators starting up fossil fueled power plants," said S. David Freeman, Chairman of the California Power Authority. "This program will lower electricity costs to the state and increase the State's power system reliability."

Jack Stewart, president of the California Manufacturers and Technology Association said, "The Demand Reserves Partnership program provides an innovative and valuable opportunity for businesses to control their energy use and cost while contributing needed electricity reserves to the state. We are eager to participate in a program that makes it easier for industry to continue to do business in California."

"The most important aspect of the Demand Reserves Partnership is that California will have the threat of blackouts removed permanently by the combined actions of the public and private sectors working together. California has become a leader in innovative answers to the tough questions facing our economy and future once again." Said Rex S. Hime, President and CEO of California Business Properties Association.

The program's communication technology infrastructure links customers to a centralized coordinator on a real-time basis, allowing it to target specific geographic locations that may be experiencing local reliability problems.

CPA Board Director Sunne McPeak noted, "This program contributes needed energy resources without dirtying our air, building more power plants in our neighborhoods or adding to the congestion of our transmission lines. It's a perfect match for the mission of the new CPA and it's a win for all of California."

The California Power Authority was created last year to provide consumers insurance against future electricity price spikes and rolling blackouts. The CPA has initiated this statewide program using advanced automation technology to dispatch load reduction that will offset Department of Water Resources ancillary service charges. Demand reserves can be used by DWR for ancillary services, peak shaving, or emergency control. Up to 500 MW can be available this fall beyond existing load reduction programs and as much as 1000 MW is expected to be available in subsequent years.

Chris McKenzie, Executive Director of the League of California Cities said, "Local governments played a critical role last year in helping the state save energy and avert blackouts. The new Demand Reserves Partnership provides not only another opportunity to save limited energy resources, but a real financial incentive for cities to step up to the plate and deliver."

"The Demand Reserves Partnership allows us to reduce energy load at the most critical periods of the day when supplies are shortest and cost are typically the highest," said Pete Garris, Deputy Director of the Department of Water Resources. "Reducing demand can have a major impact on lowering cost while increasing system reliability."

Participating end users receive monthly payments for standing by with dispatchable, immediately verifiable capacity. The ISO (on DWR's behalf) can use the demand reduction capability as reserves, thus reducing the reserve level that DWR must purchase for its load. The five-year program will capitalize on real-time meters installed last year by the California Energy Commission (CEC). It operates through the ISO ancillary services market structure and a centralized scheduling coordinator. Several companies will offer specialized aggregation and other related energy services to customers to facilitate participation in the program.

The California Power Authority was created (SB 6X) last year to provide consumers insurance against future electricity price spikes and blackouts. The Demand Reserves Partnership program meets the Power Authority's Clean Growth strategy by providing the State with clean, reliable and affordable energy.